



Puerto Rico Health Reform and Fiscal Impact

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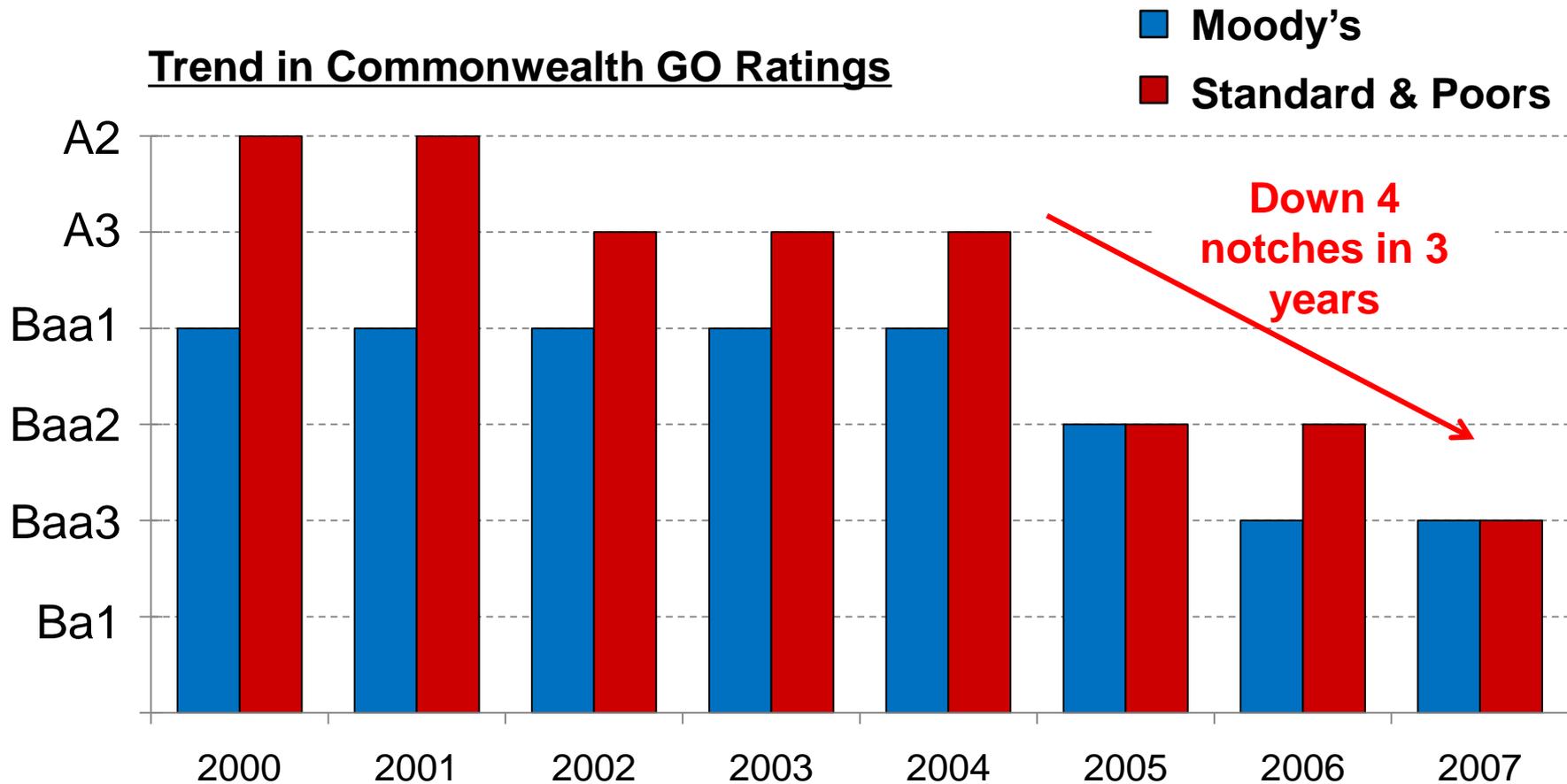
Health and Insurance Conference 2009

Panel: PR Health Reform and its Social and Fiscal Impact

March 25, 2009

Safeguarding and Improving our Credit Rating is Key for the Long-Term Reconstruction of Puerto Rico

Trend in Commonwealth GO Ratings

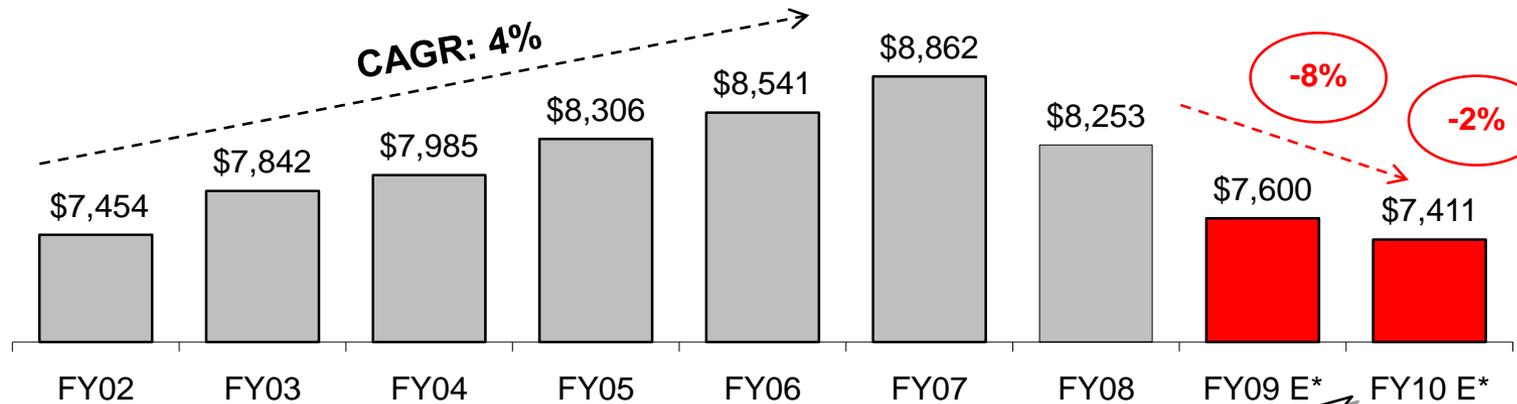




Government revenues are expected to decline, which requires to place strict controls on expenses

Total Net Revenues to General Fund*

(\$ millions)



Revenue base back at 2002 levels

Source: PR Treasury Department.

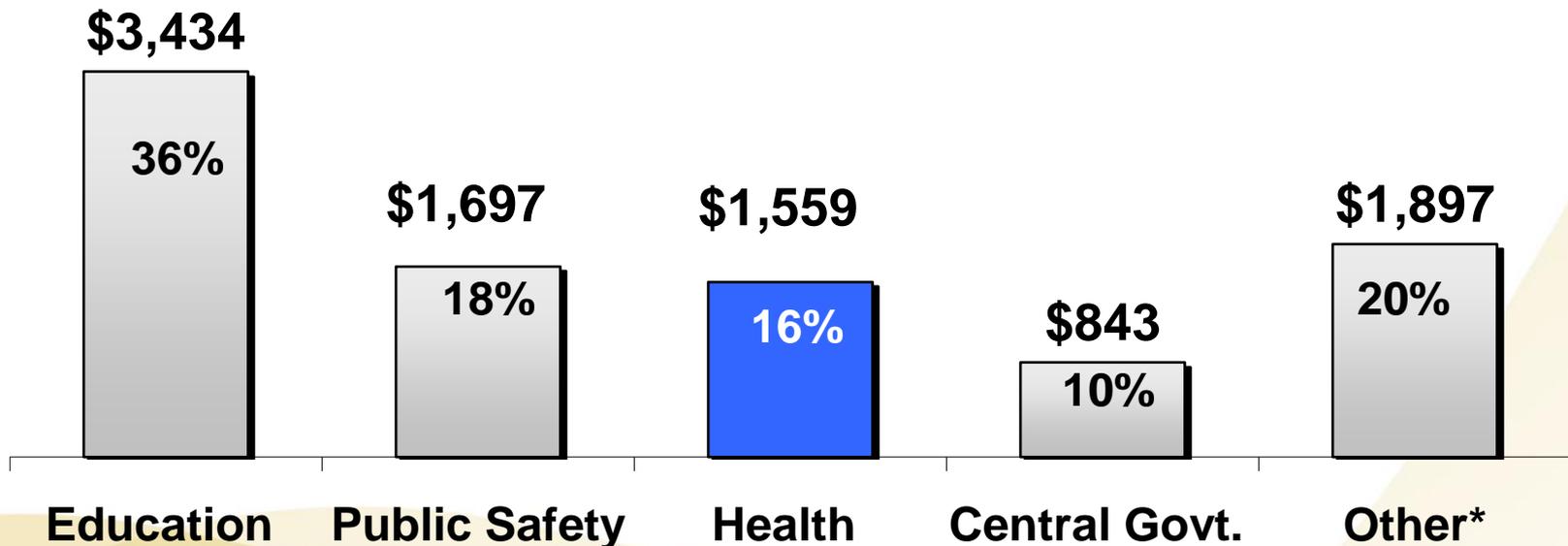
* Estimates for FY 2009 are preliminary and subject to change. Forecast for 2010 does not include effects from the different stimulus plans or any other effect coming from the fiscal adjustment. Estimates for 2010 do not take into account the latest modification to the SUT. In other words, these are GF net revenues with SUT of 5.5%.



Health Care is one of the largest components of General Fund expenses

Distribution of the General Fund Budget F09

(\$ millions)

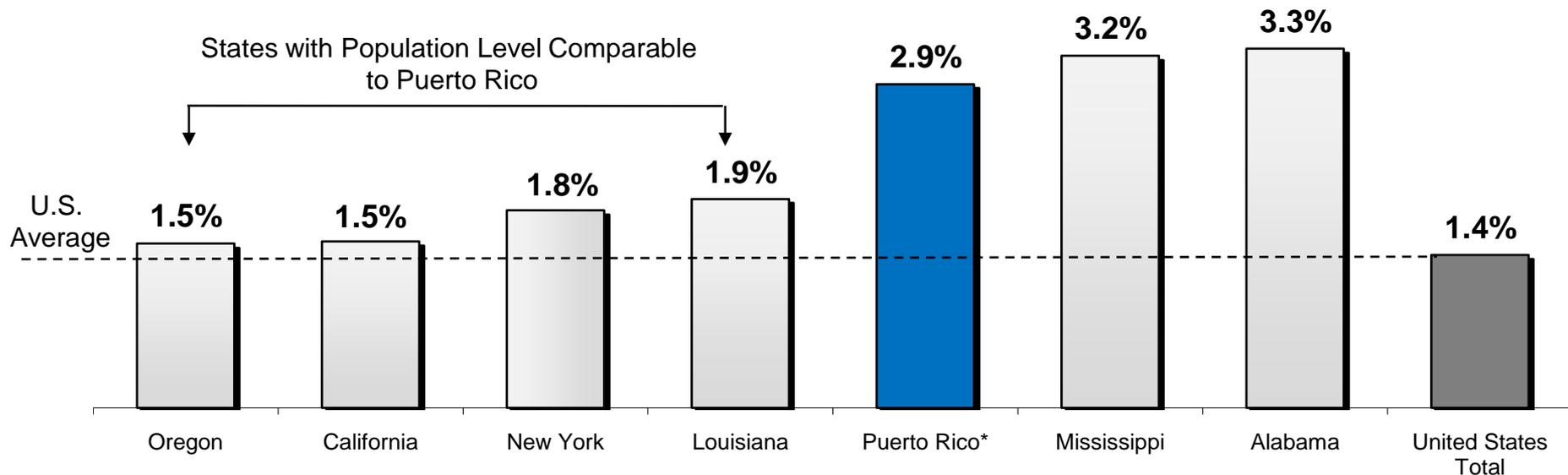


Source: Commonwealth of Puerto Rico Official Statement, Sept-05-2008.

*Includes: Economic Development, debt service, Housing, Transportation, Contribution to Municipalities, Special pension contributions and other appropriations.

Public health care expenses remain among the highest in the Nation and above other States with comparable level of Population

Public Health Care Expenses as % of Gross State Product as of 2006



Source: Bureau of Census.

* Includes budget expenses for Health Department, ASSES, ASSMCA, ASSEM. Public health care divided by GDP.



Health costs over-runs are estimated to be a sizable portion of the actual deficit

Estimated Deficit F09 \$ millions	Health Agency
\$300-\$400 E	Public Health Plan (ASSES)
<u>\$30</u>	<u>Health Department</u>
\$330-\$430 E	Estimated Health Related Deficits in General Fund
10% - 13%	Estimated % of Total General Fund Deficit F09

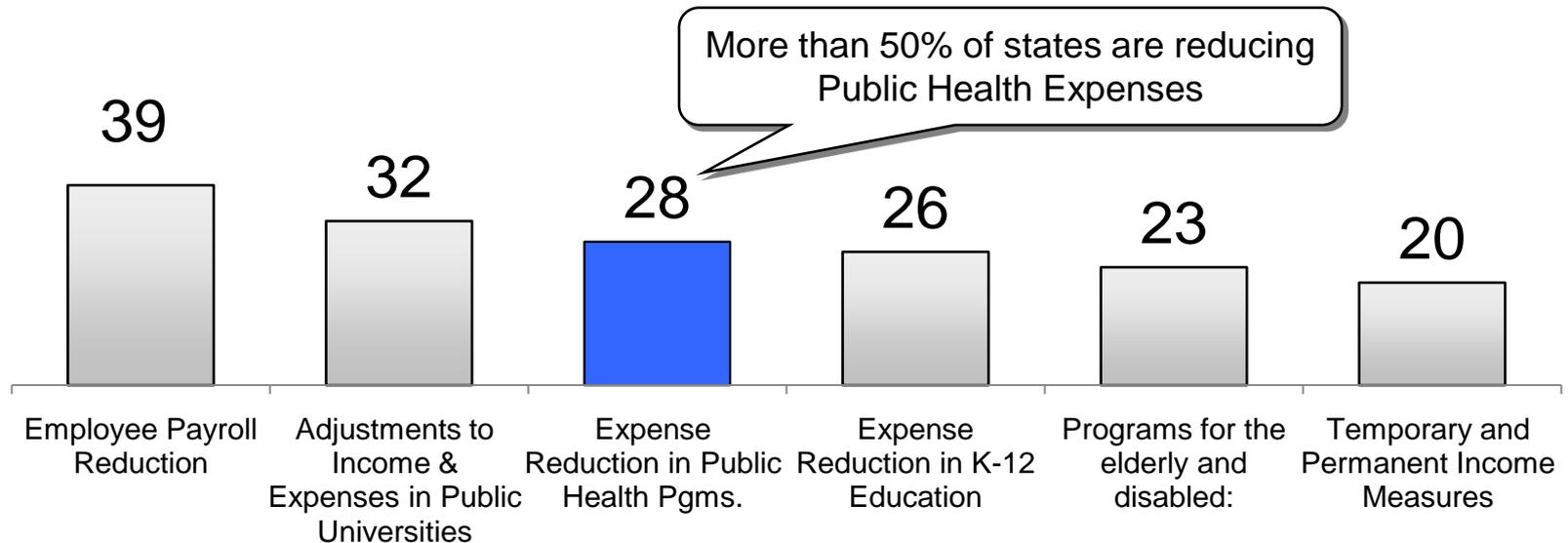
Source: ASSES (*Administración de Servicios de Salud de Puerto Rico*) and PR Health Department.

* Figures are estimated and subject to revision and changes.



Reducing expenses in Public Health programs is among the top measures to fight fiscal deficits in the U.S.

Number of States by Fiscal Measures being taken to Reduce Deficits





A health reform that is fiscally sound is critical for the sustainability of the health care system in PR and it will be consistent with overall reconstruction guidelines for PR

A Health Care Reform should include fiscally sound elements

- Fiscal controls in Health agencies and Public Corporations
- Cap expenditures to a specific percentage of General Fund
- Take expense and income related measures
- Develop and implement a multi-year plan
- Access economic and financial analysis expertise at GDB



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